



COMMISSION NEWS

Arizona Corporation Commission

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REGULATORS REJECT “EXTENSION CORD FOR CALIFORNIA” Commissioners Reject Palo Verde to Devers II Power Line

PHOENIX – The Arizona Corporation Commissioners unanimously rejected a proposal by Southern California Edison (SCE) to construct a 230-mile power line between Arizona and California. The line would have stretched from a power hub near the Palo Verde Nuclear Generating Station to a similar hub in Riverside County. The line was proposed to generally follow the Palo Verde to Devers I line, which was constructed in the 1980s.

Much of the controversy surrounding the line centered on who stands to benefit from its construction. Commission staff members estimated that the line would wind up costing Arizona ratepayers as much as \$242 million while providing California utility customers with access to cheaper power generated here in Arizona.

“Under the statutes we are guided by, we must balance the need for an adequate, economical and reliable supply of power against the need for the line,” Commissioner Kris Mayes said. “It comes down to this: California wants to drop a 230-mile extension cord into Arizona at a time when Arizona is the fastest growing state in the nation. California’s plan to build this line would come at the expense of Arizona ratepayers, Arizona air quality, Arizona land, Arizona water and Arizona wildlife.”

Environmental concerns cited by the Commissioners and parties opposed to the lines dealt with everything from native plants and wildlife to viewshed and archeological sites. Significant discussion centered on a 24-mile section of the line that would have cut through the Kofa National Wildlife Refuge. The Kofa Refuge, established in 1939, is a habitat for the endangered

desert bighorn sheep. More than 80 transmission towers would have been erected across that 24-mile stretch of land if the Commissioners approved the line.

Commissioners Mundell and Gleason talked about how Arizona's growth is driving a need for greater access to Arizona's local power resources. Throughout the day, the regulators reminded Southern California Edison and other supporters of the power line that Arizona has approved 18 new power plants since 1999. Fourteen of those plants are operational today.

"While some of those power plants may have surplus power available today to export to California, we have to be looking at the future of Arizona," Commission Chairman Mike Gleason said. "My focus is on the long-term needs of the people of Arizona. We are going to need this power."

The Commissioners were voting to approve or deny a recommendation from the Arizona Power Plant and Transmission Line Siting Committee. The Siting Committee held exhaustive hearings over many days and developed a comprehensive record that the Commissioners reviewed before today's meeting. The Siting Committee had recommended approval of the line subject to numerous detailed conditions.

As the Commissioners pointed out, Line Siting Committee's statutory duty is different from the duty of the Commission. The Commissioners are obligated to balance the need for the line against the environmental, ecological, reliability and economic impacts of the line.

"If California had built power plants and transmission lines in the past 10 years, the situation might be very different. If we approve the project, we know it's going to cost Arizona ratepayers millions and benefit California by the billions. This needs to be a two-way street,"

Commissioner Bill Mundell stated. "I don't want Arizona to become an energy farm for California. This project, if we approved it, would use our land, our air and our water to provide electricity to California."

“My family settled California in the 1850s. My sister and cousins still live there,” Commissioner Jeff Hatch-Miller said. “Over 30 years ago I chose to make Arizona my home. I love this state and have made a commitment to represent and protect the interests of Arizona residents. California has chosen to adopt the most restrictive energy policies in the world. These California policies require power user sacrifices and higher utility bills. Southern California Edison’s plan has Arizona paying the price and California reaping the benefits. California needs to step up to the plate and begin building its own generation – in California.”

“My vote against this application is not a vote for economic protectionism, nor is it a vote for balkanized energy markets. As I said earlier, we need more interstate transmission lines, not fewer,” Commissioner Gary Pierce said. “However, the conditions under which the Devers to Palo Verde II line would enhance the public interest are not present in the current application because it does not adequately deal with the negative externalities of electric generation. My vote against this application is a vote against the exportation of these externalities from California to Arizona.”

An interesting twist to this case came when the Siting Committee discovered that 14 towers were constructed in violation of the Arizona Corporation Commission’s decision approving the first Palo Verde to Devers I line. This discovery led to an investigation into how such a violation occurred. In today’s meeting, the Commissioner decided to prohibit Southern California Edison from using those towers for a second circuit.

The Commissioners believed Southern California Edison willfully and knowingly violated the order. They authorized a fine of \$4.8 million and ordered the company to remove the extra equipment.

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